



UNIVERSITY
OF
JOHANNESBURG

Department of Commercial Accounting

Financial Accounting 3B

MODULE CODE: FAC33B3

Supplementary Assessment Opportunity 2014

Date: December 2014

Time: 180 minutes

Marks: 100

Assessors: S Adam
L Khumalo

Internal Moderator: Mr HS van der Watt

External Moderator: Ms F Ngwenya

INSTRUCTIONS:

- This paper consists of **7** pages (including the cover page).
- Answer all questions. **Show all calculations and workings clearly.**
- Start each question on a new page in your answer book.
- Silent, non-programmable calculators may be used.
- Where applicable, round all calculations to the nearest Rand.

Question	Topic	Marks	Time
1	Consolidations in period of acquisition	30	54 minutes
2	Consolidations after acquisition	18	32 minutes
3	Theory - Various	17	27 Minutes
4	Financial Statement Analysis	20	40 Minutes
5	Statement of Cash Flows	15	27 minutes
		100	180 minutes

Question 1**(30 Marks)**

On 1 October 2012 Amgold (Pty) Ltd acquired 84 000 Class A shares in Soplat (Pty) Ltd and paid R360 000. On the date of acquisition, Soplat (Pty) Ltd had 120 000 Class A shares in issue.

On date of acquisition, Amgold (Pty) Ltd considered the assets and liabilities of Soplat (Pty) Ltd to be fairly valued. There have been no changes in Soplat (Pty) Ltd's issued share capital since the date of acquisition.

The trial balances of the two companies on 30 September 2013 were as follows:

	Amgold (Pty) Ltd R	Soplat (Pty) Ltd R
Debits		
Property, plant and equipment	660 000	300 000
Investment in Soplat (Pty) Ltd	400 000	-
Loan Receivable: Soplat (Pty) Ltd	100 000	-
Trade Debtors	68 000	214 000
Inventories	128 000	45 000
Bank	84 000	67 000
Income tax expense	42 000	22 000
Dividends declared and paid	30 000	20 000
	<u>1 512 000</u>	<u>668 000</u>
Credits		
Share capital	280 000	120 000
Retained earnings opening balance	710 000	320 000
Long-term Loan: Amgold		100 000
Trade Creditors	140 000	42 000
Profit before tax	382 000	86 000
	<u>1 512 000</u>	<u>668 000</u>

Included in Amgold (Pty) Ltd's net profit before tax for the current period is a fair value gain on their investment in Soplat (Pty) Ltd which they have elected to measure at fair value. Increases or decreases in fair value are recognised in profit or loss and the company has elected not to account for any possible future tax effect on these fair value gains or losses.

REQUIRED:

- 1.1 Prepare the analysis of equity of Soplat (Pty) Ltd for the Amgold Group for the reporting period ended 30 September 2013. (10)
- 1.2 Prepare the pro-forma journal entries necessary to prepare the consolidated financial statements of the Amgold group for the reporting period ended 30 September 2013. (12)
- 1.3 Prepare the consolidated statement of comprehensive income for the Amgold Group for the reporting period ended 30 September 2013, beginning with profit before tax. Comparatives are not required. (8)

Show ALL workings.

[30]

Question 2**(18 Marks)**

On 1 October 2011 Betafix (Pty) Ltd decided to expand its panelbeating operations through the acquisition of the controlling interest in Superbeat (Pty) Ltd by purchasing 80% of the Class A shares of Superbeat (Pty) Ltd. On this date Superbeat (Pty) Ltd had share capital of R300 000 and retained earnings of R660 000. Betafix considered the assets and liabilities of Superbeat to be fairly valued and paid a total of R800 000 for this investment.

Both companies were optimistic of making profits during the current reporting period, and both declared a final Class A dividend on 1 September 2013, which was paid to shareholders on 20 September 2013.

On 30 September 2013, the consolidated statement of changes in equity of the Betafix Group was as follows:

	SHARE CAPITAL	RETAINED EARNINGS	EQUITY OF PARENT	NON- CONTROLLIN G INTERESTS	TOTAL EQUITY
Opening Balance 01/10/2012	800 000	1 440 000	2 240 000	250 000	2 490 000
Acquisition of subsidiary				-	-
New shares issued	200 000		200 000		200 000
Comprehensive income		980 000	980 000	80 000	1 060 000
Dividend		-40 000	-40 000	-6 000	-46 000
Closing Balance 30/09/2013	1 000 000	2 380 000	3 380 000	324 000	3 704 000

REQUIRED:

- 2.1 Prepare the journal entry to record the acquisition of the shares in Superbeat (Pty) Ltd as it would have been recorded in the accounting records of Betafix (Pty) Ltd on 1 October 2011. (2)
- 2.2 Prepare the journal entry to record the dividend declaration by Superbeat (Pty) Ltd on 1 September 2013. (3)
- 2.3 Prepare the pro-forma journal entries necessary to prepare the consolidated financial statements of the Betafix Group for the reporting period ended 30 September 2013. (13)

Show ALL workings.**[18]**

Question 3

(17 Marks)

Fill in the missing word/s:

- A group consists of a ____ (a) ____ and all its ____ (b) ____.
 - A subsidiary is an entity that is ____ (c) ____ by another entity.
 - Control is the ____ (d) ____ to ____ (e) ____ the ____ (f) ____ and ____ (g) ____ policies so as to obtain ____ (h) ____ from its activities.
 - An associate is an entity over which another entity has ____ (i) ____.
 - A joint venture is a ____ (j) ____ whereby two or more parties undertake an economic activity that is subject to ____ (k) ____.
 - Cash Equivalents are short-term highly liquid investments that are readily convertible to ____ (l) ____, and that are subject to an insignificant ____ (m) ____ of changes in value.
 - Investing Activities relate to the ____ (n) ____ and ____ (o) ____ of long-term assets and other investments.
 - Financial ratios should be ____ (p) ____ with prior years, therefore achieving ____ (q) ____ and should be comparable to other companies in the same industry.
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Question 4**(20 Marks)**

Telebubbies (Pty) Ltd is in the entertainment industry. The directors are evaluating the results for the reporting period and are concerned about the liquidity of the company. The following has been presented:

Statement of Financial Position as at 31 March 2013

	2013	2012
ASSETS		
Property, plant and equipment	1 111 000	1 127 300
Investment in Hotel (Pty) Ltd	150 100	10 000
Trade and other receivables	26 000	45 000
Inventory	44 000	95 000
Bank	50 000	60 000
	<u>1 381 100</u>	<u>1 337 300</u>
EQUITY AND LIABILITIES		
Share capital	1 189 000	1 150 000
Retained earnings	95 300	40 000
Short term loan – ABC Bank	85 300	119 300
Trade and other payables	11 500	28 000
	<u>1 381 100</u>	<u>1 337 300</u>

On 1 April 2011, the entity had 60 000 Class A shares and no Class B shares in issue. A further 40 000 and 20 000 Class A shares were issued for R2 a share on 1 October 2011 and 1 April 2012 respectively. On 31 December 2012 there was a capitalisation issue of 1 new Class A share for every 3 held.

The statement of profit or loss and other comprehensive income for the reporting period ended 31 March contained the following information:

	2013	2012
Profit before tax	1 425 000	600 000
Tax expense	(413 250)	(174 000)

REQUIRED:

- 4.1 Conduct an analysis and comment on the liquidity of Telebubbies (Pty) Ltd for the reporting periods ended 31 March 2012 and 2013.

(10)

- 4.2 Calculate the basic earnings per share for Teletubbies (Pty) Ltd for the reporting periods ended 31 March 2012 and 2013.

(10)

Show ALL workings.**[20]**

Question 5**(15 Marks)**

Windows 4 All (Pty) Ltd is a company that manufactures steel and aluminium windows.

You are the financial manager and you are in the process of preparing the statement of cash flows for the reporting period ended 30 June 2013

WINDOWS 4 ALL (PTY) LTD			
Statement of Financial Position as at 30 June 2013			
	Additional Info.	2013	2012
ASSETS			
Non-current assets		3 440 000	2 560 000
Investments	1	480 000	360 000
Equipment		1 920 000	1 680 000
Motor vehicles	2	1 040 000	520 000
Current assets		406 100	282 000
Inventory		26 800	37 200
Bank		379 300	244 800
TOTAL ASSETS		3 846 100	2 842 000
EQUITY AND LIABILITIES			
Equity		2 698 900	1 858 900
Share Capital	3	800 000	660 000
Retained Earnings		1 898 900	1 198 900
Liabilities			
Non-current liabilities			
Long-term loan		640 000	440 000
Current Liabilities		507 200	543 100
Trade Payables		57 200	110 000
Shareholders for dividends	3	80 000	48 000
Accrued finance costs		10 000	4 000
SARS (Income Tax)		360 000	381 100
TOTAL EQUITY AND LIABILITIES		3 846 100	2 842 000

Question 5 (continued)

Extract from Statement of Profit or Loss and Other Comprehensive Income for the reporting period ended 30 June 2013:

	2013	Additional Information
Sales	2 594 000	(4)
Cost of Sales	(1 250 000)	
Other Income	42 000	(1)
Other Expenses	(592 000)	(5)
Finance Costs	(60 000)	
Profit before tax	734 000	
Tax	(134 000)	

Additional Information:

1. The company invests any surplus cash it has in MoneyPlus, an interest yielding money market fund registered South Africa. Other income consists only of interest income on this investment. No investments were disposed of in the current reporting period.
2. The company uses the cost model per International Financial Reporting Standards for Small and Medium sized entities (IFRS for SMEs) to measure motor vehicles. On 1 July 2012, the company sold an old panel van with a cost of R240 000 and a carrying value of R160 000 for R108 000 cash and purchased a new Caddy to replace it. Depreciation on motor vehicles for the reporting period amount to R172 000.
3. On 1 July 2012 the company had 120 000 Class A shares in issue.
On 1 March 2013 the company issued an additional 40 000 shares to a black economic empowerment consortium. On 1 June 2013, the company declared a dividend of fifty cents per share which was to be paid to shareholders on 15 July 2013.
4. All sales are strictly on a cash basis.
5. Included in other expenses are the following items:

Depreciation expense	352 000
Loss on disposal equipment	28 000
Profit / loss on disposal vehicle	???

6. Other information that was calculated:

Cash paid to suppliers and employees	(1 452 400)
Net cash inflow from operating activities	926 500
Cash received from the sale of equipment	48 000
Cash paid for the purchase of equipment	(336 000)
Net cash outflow from investing activities	(1 152 000)

REQUIRED:

- 5.1 Calculate the cash paid for the purchase of motor vehicles. (2)
- 5.2 Prepare the statement of cash flows for Windows 4 All (Pty) Ltd for the reporting period ended 30 June 2013. (13)

TOTAL = 100 MARKS